

## PROMISSORY NOTE

### **A. BORROWER'S PROMISE TO PAY**

1. This PROMISSORY NOTE (this "Promissory Note") is made on July 23, 2010 (the "Execution Date").
2. In return for a \$100,000.00 loan that to APPLIED INNOVATION GROUP, INC. (hereinafter referred to as the "Promissor" or "Borrower"), already received from HOA H. LAM (hereinafter referred to as the "Lender"), Promissor promises to repay U.S. \$100,000.00 pursuant to the terms below to the order of the Lender.
3. On or about January 25, 2008, Lender and Applied Innovation Group, Inc. through Tung V. Pham, (hereinafter referred to as the "Company") entered a Stock Purchase Agreement (hereinafter referred to as the "Agreement"); wherein, Lender agreed to buy and Company agreed to sell him ten (10) shares of the Company's common stock. Attached hereto as **EXHIBIT 1** is a copy of the Agreement.
4. The Company is owned by Tung V. Pham, who is the Company's President.
5. Promissor agrees to repay the \$100,000.00 consideration paid by Lender in exchange for the Company's common stock purchased by Lender. Accordingly, Promissor agreed to execute this Promissory Note and to execute a UCC-1 Financial Statement on the Company's assets, computers, manufacturing equipment, office equipment, office furniture, inventory, and/or property as security to Lender for repayment of the debt herein discussed. Attached hereto as **EXHIBIT 2** is a copy of the UCC-1 Financial Statement to be filed. **EXHIBIT 2** will be filed with the County Records and the Secretary of State.
6. Promissor will make all payments under this Promissory Note in the form of cash, cashiers' check or money order.
7. It is Promissor's specific intent to grant a lien to the Lender on the Company's assets, equipment and/or property, which Promissor and/or Company has any ownership interest in as security for repayment of this loan.

### **B. INTEREST**

None, unless the principal is not repaid strictly in accordance with the time schedule specified herein relating to the repayment of the principal. If the principal is not repaid on time, Promissor agree and understand to pay simple interest of 10% (ten percent) per year until principal and/or any amounts due under this Promissory Note are paid in full.

### **C. PAYMENT**

Promissory Note  
Initial of Promissor: \_\_\_\_\_  
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### **Time and Place of Payments**

1. Promissor agrees and understands to repay the balance of \$100,000.00 (One Hundred Thousand Dollars) by monthly installments of \$3,000.00 (Three Thousand Dollars) starting on July 1, 2013 and thereafter on the first day of each and every consecutive calendar month until the principal and/or any money owed herein are repaid in full.
2. The final installment payment of \$3,000.00 (Three Thousand Dollars) and/or any remaining balance of the principal shall be due in its entirety by April 1, 2016 (hereinafter referred to as the "Maturity Date").
3. There shall be a one week grace period of relating the payment schedule described above before the payment is deemed delinquent and past due.
4. Lender is not required to serve Promissor with any type of notices regarding to the repayment of the principal, and Promissor herein intelligently and knowingly waives any notice required under both California and federal laws.
5. Time is the essence.
6. If Lender accepts any payment after its due date, it shall not constitute a waiver of any term under this Promissory Note or of any of Lender's rights under this Promissory Note. Any waiver by Lender must be in writing to be effective.
7. There shall be no prepayment penalty. Promissor may make payments in advance of the payment scheduled described herein at anytime.

### **D. BORROWER'S FAILURE TO PAY AS REQUIRED**

1. If Promissor fails to make any payments as herein described when due, Promissor will be in default.
2. Promissor herein intelligently, knowingly and voluntarily waives any notice requirements related to any default by me under the law. However, if Promissor is unable to waive any such notice requirements under the law, Lender may send Promissor a written notice telling Promissor that if we do not pay the overdue amount by a certain date, Lender may require us to pay immediately the full amount of Principal which has not been paid. That date must be at least 30 days after the date on which the notice is mailed to Promissor or delivered by other means to 1867 Little Orchard Street, San Jose, CA 95125.
3. Even if, at a time when we are in default, Lender does not require us to pay immediately in full as described above, Lender will still have the right to do so if we are in default at a later time.

4. If Promissor breaches this Promissory Note, Lender may file immediate civil action to enforce this Promissory Note and to also immediately foreclose on the security provided by Promissor herein.

5. If Lender has required us to pay immediately in full as described above, Lender will have the right to be paid back by us for all of Lender's costs and expenses in enforcing this Promissory Note to the extent not prohibited by applicable law. Those expenses include, but are not limited to attorneys' fees.

#### **E. GIVING OF NOTICES**

1. Unless applicable law requires a different method, any notice that must be given to us under this Promissory Note will be given by delivering it or by mailing it by first class mail to us at the address above or at a different address if we give Lender a notice of my different address.

#### **F. WAIVERS**

1. We and any other person who has obligations under this Promissory Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

#### **G. MISCELLANEOUS**

1. In making this Promissory Note, the parties specifically represent that they were given the opportunity to consult with independent legal counsel, but intelligently, knowingly and voluntarily waived their right to do so, if they did not consult with their own counsel, in the interest of saving money that they do not have. They are fully familiar with all the circumstances surrounding the execution of this Promissory Note, and that we have not been influenced by any representation other than the terms of this Promissory Note.

2. This Promissory Note contains the entire agreement between the Parties hereto, and the terms herein are contractual and not merely a recital. This Promissory Note can be modified only by a writing signed by the parties herein.

3. If any term of this Promissory Note is determined to be invalid or unenforceable, then the remaining terms shall remain valid and enforceable.

4. Tung V. Pham represents under penalty of perjury of the Laws for the State of California that there is no creditors or liens encumbering the Company's assets, equipment and/or property for which Lender is being granted a lien as security of repayment of this Promissory Note.

A handwritten signature in dark ink, appearing to read 'Tung V. Pham', is written over a horizontal line.

Tung V. Pham  
as President and on behalf of  
Applied Innovation Group, Inc.